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LONDON HOSIERY MILLS LIMITED

44th Annual Report

For the Fiscal Year Ended
March 31st, 1959

LONDON HOSIERY MILLS, LIMITED

London - Canada

Transfer Agent and Registrar
MONTREAL TRUST COMPANY
Toronto, Ont.

Auditors
WRIGHT, ERICKSON, LEE & COMPANY
Certified Public Accountants
Hamilton, Ontario

44th ANNUAL REPORT

For the Year Ended March 31, 1959

To the Shareholders:

Your Directors submit herewith the Annual Report of the Company for the year ended March 31, 1959, together with financial statements and the report of the auditors.

The net loss for the year was \$16,765.30 after providing for depreciation of \$28,962.03, compared with a net profit for the previous year of \$3,037.65 after providing for depreciation of \$27,031.46 and income taxes of \$950.00.

Sales for the year aggregated \$1,211,176.53 compared with \$1,219,141.79 for the previous year, but price competition has continued, not only due to the new entrants into the hosiery field but also by reason of goods being dumped from foreign countries and in many cases distress merchandise being offered by Canadian manufacturers. The effect on the Company's gross manufacturing profit is seen from the figures submitted hereunder:

Year Ended March 31st	% Gross Manufacturing Profit to Sales
1955	16.57%
1956	18.39%
1957	21.74%
1958	11.00%
1959	8.68%

In last year's report reference was made to a new exclusive dyeing process acquired by your Company. We are still hopeful of the results, but development has not been as rapid as expected.

Numerous new styles have been introduced which appear to have good consumer reception and we look for increased business on these items, particularly since the program has been supported by national advertising.

On behalf of the Board.

J. A. McKEEMAN,
President.

London, Ontario,
June 12, 1959.

LONDON HOSIE

(Incorporated under

BALANCE SHEET

ASSETS

CURRENT:

Cash	3,760.88	
Government of Canada bonds at cost (par value \$110,000.00, approximate market value \$94,900.00)	109,500.00	
Accrued interest on bonds	839.58	
Accounts receivable less allowance for doubtful accounts	157,661.07	
Amount due from The Almer Company Limited (parent company) re reduction in management fees (received subsequent to March 31, 1959)	10,605.89	
Inventories:		
Raw materials, at lower of cost or market	89,717.71	
Goods in process and finished goods, at factory cost, after adjustment in price of raw material content to market value where market was lower than cost	289,882.50	
		379,600.21
Income taxes paid in excess of estimated liability	7,421.45	
Prepaid expenses	13,964.72	
		683,353.80

FIXED:

Land, at cost	7,745.00	
Buildings, machinery and equipment, at cost	590,929.31	
Less: Accumulated depreciation	446,451.52	
		144,477.79
Deposit on machinery (total cost \$14,250.00, delivered in April, 1959)	1,250.00	
		153,472.79

CASH SURRENDER VALUE OF LIFE INSURANCE	15,400.00
TRADEMARKS	1.00

\$852,227.59

NOTES:

1. The Company is in arrears in respect of one quarterly dividend on Class "A" shares, at 20¢ per share, aggregating \$9,000.00.
2. Proceedings have been instituted by minority shareholders to wind up the Company; the action is being contested by the Company and is pending. Supplementary letters patent of the Company provide that, in the event of liquidation or winding up, the holders of Class "A" shares shall first be entitled to receive (before any payment is made to the holders of the common shares) the unpaid preferential dividends on such Class "A" shares up to the date of distribution whether declared or not, and thereafter the holders of Class "A" shares and the holders of common shares shall be entitled to share equally in any further distribution of the assets of the Company.
3. Supplementary letters patent of the Company provide that, so long as any Class "A" shares are outstanding, no dividend shall be declared upon the common shares at any time when the Company's net working capital is less than \$450,000.00 or if the payment of such dividend would reduce the net working capital to below \$450,000.00.

MILLS, LIMITED

Companies Act, 1934)

AT MARCH 31, 1959

LIABILITIES

CURRENT:

Bank loan (secured)	150,000.00	
Accounts payable and accrued expenses	72,243.58	
Dividend payable	9,000.00	
Amount due within one year under the terms of agreement to purchase land and building at Listowel, Ontario	1,500.00	
		232,743.58

DEFERRED:

Liability under terms of agreement to purchase land and building at Listowel, Ontario, bearing interest at 8% per annum	12,000.00	
Less: Amount due within one year (as above)	1,500.00	
		10,500.00

Total liabilities	243,243.58
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SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized:

45,000 Class "A" shares without nominal or par value, convertible, with an annual fixed cumulative preferential cash dividend of 80¢ per share.

125,000 common shares without nominal or par value, of which 45,000 shares are to be available exclusively for the conversion of Class "A" shares.

Issued and Outstanding:

45,000 Class "A" shares	105,000.00	
80,000 common shares	20,000.00	
		125,000.00

EARNED SURPLUS	483,984.01	
		608,984.01
		<u>\$852,227.59</u>

Approved on behalf of the Board:

J. A. McKEEMAN, Director
A. S. FOREMAN, Director

AUDITORS' REPORT

To the Shareholders of
London Hosiery Mills, Limited.

We have examined the balance sheet of London Hosiery Mills, Limited, as at March 31, 1959 and the statements of operations and earned surplus for the fiscal year ended on that date, and have received all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above balance sheet and accompanying statements of operations and earned surplus, supplemented by the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of London Hosiery Mills, Limited as at March 31, 1959, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Hamilton, Ontario,
June 4, 1959.

WRIGHT, ERICKSON, LEE & CO.
Certified Public Accountants,

LONDON HOSIERY MILLS, LIMITED

STATEMENT OF OPERATIONS

(Year ended March 31, 1959)

Net profit from operations for the year after providing for executive salaries of \$18,200.00, management fee of \$10,605.88, directors' fees of \$2,200.00 and legal fees of \$3,922.65, but before taking into account the undernoted items	8,906.78	
Profit on sale of equipment	152.45	
Income from investments	3,137.50	
		12,196.73
Provision for depreciation		28,962.03
Net loss for the year		<u>\$ 16,765.30</u>

Note: Management fee for the year would have been \$21,211.77 if calculated pursuant to contract terms as in previous years, and the net loss for the year in that event would have been \$27,371.19.

LONDON HOSIERY MILLS, LIMITED

STATEMENT OF EARNED SURPLUS

(Year ended March 31, 1959)

Balance, April 1, 1958		488,538.83
Additional proceeds from sale in prior years of shareholdings in Borg Fabrics Limited and Riverside Silk Mills Limited (including interest of \$12,433.93)	104,479.93	
Income tax adjustments affecting prior years	1,030.55	
		105,510.48
Adjusted balance		594,049.31
Net loss for the year	16,765.30	
Less: Adjustment to record current cash surrender value of life insurance	1,700.00	
		15,065.30
Dividends paid on:		
Class "A" shares (60¢ per share)	27,000.00	
Common shares (85¢ per share)	68,000.00	
		95,000.00
		110,065.30
Balance, March 31, 1959		<u>\$483,984.01</u>

These famous name brands represent
Quality Products made by
London Hosiery Mills Ltd.



BRAND
Venus

Diana

"Queen Quality"
REGISTERED
HOSIERY

*London
-Lad-*

LONDON BEAUTY
LONDON KNIT

MILO

LONDON PRIDE
LONDON KNIT

London Lady



London Gentleman

*Famous for STRETCH hosiery
of all kinds*

- Ladies' Seamfree Hosiery
- Infants', Children's Anklets
- Boys' and Men's Anklets
- Specialty Styles